

In Field of One-Hit Wonders, Cannella Reaches 20 Years

By: Rob Williams

A long infomercial career is almost an oxymoron in an industry that has had its share of extreme boom and bust cycles, but Frank Cannella has managed to sustain himself and thrive for 20 years.

Cannella is founder and CEO of Cannella Response Television Inc., a media agency in Burlington, WI, that specializes in infomercial buys. "It's been a fun, fun 20 years." he says, "even with the down moments, I'd say that overall, it's been a great time."

He has seen the first and he has seen the last, to borrow from William Faulkner, since his early days at A. Eicoff & Co., Chicago, the DRTV agency started by Alvin Eicoff that is now a subsidiary of Ogilvy & Mather. He also has many insights into the future of the infomercial industry, as it continues to evolve in an age of declining television viewership and the rise of interactive media.

Unlike other entrepreneurs in the infomercial industry that have pursued high-growth strategies based on the success of a handful of hit shows, Cannella has not sought to grow his company beyond a level that he would consider unwieldy or unmanageable. The industry is littered with examples of companies that rode a surging wave of hits, staffed up to handle high growth, and then crashed as that wave subsided dramatically. His company employs nine people.



Cannella's long-term success is due to his steady approach and learning "who to go to and who to stay away from."

"We've just tried to remain focused and do what we do best," Cannella says. "We have our specialty and we want to stick with it." He grew up in a suburb of Chicago and attended the University of Illinois at Chicago, where he dabbled in photojournalism before deciding to pursue a bachelor's degree in marketing in 1979. During his last month of college, he landed his first job in the accounting department of A. Eicoff as a media biller. When he graduated from college, he also graduated to the job of a media buyer.

At that time, infomercials did not exist to the degree that they are understood today. Most DR activity was seen in short form spots, which is still true today, which sold everything from music and book collections from Time-Life to Ginsu knives. One of his accounts was Hansen House Inc., a music publisher that sold song books for Roy Clark and Liberace on television. He also handled buying for Mattel Corp., which marketed the Knitting Machine, a device for hobbyists.

He spent a year at A. Eicoff before Hansen House hired him as an in-house marketer and

he moved to California in 1981. He returned to A. Eicoff a year later as a management supervisor, under the direction of Rick Sangerman and Francie Gordon, who continue to work at the agency.

Its billings at that time were in the \$12 million to \$14 million range, a figure that combined DR billings with retail billings (which consisted of commercials that were not tagged with an 800 number, but did display the name of a local retailer, such as Walgreen's or Thrifty drug stores). Unlike today's procedure of making DR buys on a daily basis, the most common procedure for buying DRTV spot media was to purchase large packages of time in advance of the pending quarter, then divide those packages among the agency's accounts.

Birth of Infomercials

Although 1984 is often cited as the year in which the infomercial were born, as the Federal Communications Commission rolled back regulations that limited the length of commercials to two minutes, Cannella says he started in the infomercial industry two years before. During that period, marketers began to air program-length advertisements on accepting TV stations, making the argument that is was not much different than some religious programs, which paid for their air time, nor was it different from Saturday morning cartoons based on toy characters. If "GI Joe" gets a half-hour program that not-too-subtly promotes its line of action figures, the reasoning went, then why not air paid programs that sell everything from real estate seminars to baldness cures? Why not air a talk show where host and guests dedicated their conversations to a single subject: The product? The idea was particularly enticing to those in the seminar business.

"The real estate guys discovered that instead of traveling city to city doing seminars, they could put anything on the air and it would work," Cannella says.

The primary reason that infomercials were so profitable at that time was because media rates were bargain-basement cheap. Cannella remembers the days of buying large blocks of time on the Financial News Network, a predecessor to CNBC."

Financial News Network would go off air and we would pay them \$500 for 12 hours of commercials running back to back," he says. "No one else wanted it."

Cannella began to venture out on his own in 1985 as a part-time consultant to The Ed Beckley Group, a seminar company based in Fairfield, IA, that was a primary spawning ground for many infomercial firms. Tim Hawthorne, founder and CEO of Hawthorne Direct Inc., got his start working for Beckley, alongside Katie Williams, who would eventually start Williams Worldwide Inc., a DRTV media agency in Santa Monica, CA.

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Beckley sold "The Millionaire Maker," a get-rich-quick plan that would lead to scrutiny by the district attorney's office in Iowa. Cannella left A. Eicoff in 1986 to become a full-time consultant for Beckley, traveling from Chicago to Fairfield on weekends to teach Beckley employees on the finer points of long-form media buying.

"A lot of our effort back then was selling the stations on the idea of opening up to infomercials," he says. "It was wide-open territory for the time. There was no competition, only more time than we could fill with programs."

He says there was no single person that could be considered a visionary in anticipating how the infomercial industry would evolve or grow.

"There weren't soothsayers of the future, no single Nostradamus," Cannella says. "We just saw it as an opportunity. In print, you would multi-page advertisements, like those of David Ogilvy that were very rich in copy. We saw infomercials as taking that idea to video." Many of the people Cannella worked with back then are no longer in the infomercial business. Network Video Marketing Inc., Portland, OR, was an early client that sold a teaching kit on how to open various kinds of auto service businesses. It went out of business, leaving a litany of unpaid media bills.

Maturing Industry

The early 90's brought explosive growth in the industry, followed by a period of maturation and consolidation. During that time, the infomercial industry faced the possibility of re-regulation as Congress scrutinized its business practices. The National Infomercial Marketing Association was formed to organize the industry and to provide networking opportunities among its constituents. NIMA would later be renamed the Electronic Retailing Association in 1997.

"NIMA helped to calm the unsettling influences coming through Congress," Cannella says. "The industry took steps toward self-regulation and tagging shows with the 'paid commercial advertisement' tag."

Alongside the growth came more competition for media. What was once a wide-open media environment grew cluttered with companies selling everything from exercise equipment to fishing lures. Major corporations began to dabble in long form, although they never overtook the media spending of entrepreneurs that started the infomercial industry. Entrepreneurs still dominate the industry, which began a major consolidation in the late 90's.

"We've seen sales drop off the last two years," Cannella says. "The advance of the Internet has taken audience away from what I would call the 'boredom time periods'."

Before the Internet, people would watch TV for one of two reasons: to be entertained or because they were bored with nothing better to do."

"Historically, infomercials have worked in the boredom time periods," Cannella says.

"Mainstream advertisers may have laughed at our placement, but our clients laughed all the way to the bank. Now during those boredom time periods, people are sitting and playing on the Internet instead of watching TV."

These days, Cannella says that one of his biggest concerns is the difficulty for newcomers to enter the industry. The road to infomercial success is fraught with peril for those that do not understand the finer points of contractual agreements, of protecting patented products from knock-off artists and of executing a DRTV campaign from manufacturing to media buying to fulfillment."

"The industry is a tightly knit group and it's difficult for an outsider to understand the relationships," he says. "Entrepreneurs and product inventors don't understand the deals and how deals work. Our business has evolved to where we act as an agent for the inventors that are coming in."

While the industry has become more sophisticated and more competitive the last 20 years, Cannella says there is still opportunity for newcomers.

"Over the last 20 years, I've learned who to go to and who to stay away from," Cannella says. "We have good relationships with people and our contracts are pretty darn good. We've perfected them over time."